

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (3/10):
BUTTER: Grade AA closed at \$0.9825. The weekly average for Grade AA is \$0.9817 (+.0084).

CHEESE: Barrels closed at \$1.0900 and blocks at \$1.1175. The weekly average for barrels is \$1.0970 (-.0050) and blocks, \$1.1180 (+.0020).

NONFAT DRY MILK: Extra Grade and Grade A closed at \$1.0300. The weekly average for Extra Grade is \$1.0300 (N.C.) and Grade A, \$1.0300 (N.C.).

BUTTER: Butter markets remain unsettled. Churning schedules across the country are seasonally active, although more cream is now moving into other cream based product production. Butter stocks continue to increase, but at lighter levels than past weeks. Demand for both bulk and print butter is reported to be seasonally fair. Producers or handlers are indicating that print orders are heavier as some retail stores continue to run or are preparing near term feature activity. Food service orders are also somewhat improved as very mild temperatures in most areas of the country stimulated away from home eating patterns.

CHEESE: The cheese market is unsettled to weak. For the second straight week, CCC purchased Midwest process cheese under the price support program. Overall, current cheese demand is about steady. Most buyers are keeping low to average working inventories. Some promotional activity was occurring on natural varieties for Lent. Warmer weather also stimulated a little extra process interest for cookouts. Spot offerings of most current varieties continue to increase. Cheese output is steady to slightly heavier, reflecting milk supplies. Cheese yields are steady to lower seasonally.

FLUID MILK: Production is generally steady to higher due to mild weather conditions throughout most of the country. Wet weather in the West is encouraging volumes in California to move 1-2% lower than recent weeks. Class I demand is steady with some variation noted in areas where schools are in recess. Movement is heavy into Class III facilities. Most plants that seasonally shut down during the winter months are now operating and handling excess milk volumes. The cream market is firm and prices are higher. Cream cheese plants are taking in additional volumes of cream to supplant holiday production schedules. Ice cream output is steady to higher and trending along a seasonal pattern. Available cream for butter production is lower reducing churning activity.

DRY PRODUCTS: In the midst of heavy milk supplies, some dry product markets are showing signs of firming. NDM markets remain weak with Eastern

producers offering significant amounts of product to the CCC for the first time since 1991. Production of NDM is heavy with most plants operating at or near capacity. Buttermilk markets are stabilizing. Buyers are cautiously eyeing the market for significant changes, holding Western signs of firmness in check. Whey prices are generally unchanged to lower. However, Eastern markets are reporting tight supplies due to good export interest. Production of whey is steady to heavier as some producers await the results of the current whey tender from the Far East. The lactose market is steady to firm as second quarter negotiations begin and producers offer out at higher prices. Strong interest in WPC is encouraging substantial increases in WPC prices. Supplies are tight with resellers gaining a premium over current prices.

CCC: Net purchases for the week of March 6 - 10, totaled 11,332,623 pounds of nonfortified NDM. This included 9,854,878 pounds from the West, 607,005 pounds from the Midwest, and 870,740 pounds from the East. Significant movement from the East has not occurred since 1991. Cheese purchases for the week included 396,000 pounds of process cheese from the Midwest.

JANUARY 2000 DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 140.6 million pounds in January, 14.0% above January 1999 and 20.0% above December 1999. American type cheese production totaled 312.7 million pounds, 7.9% above January 1999 and 1.7% above December 1999. Total cheese output (excluding cottage cheese) was 680.3 million pounds, 6.5% above January 1999 but 1.8% below December 1999. Nonfat dry milk production, for human food, totaled 131.1 million pounds, 9.2% above January 1999 and 1.4% above December 1999. Dry whey production, for human food, was 102.2 million pounds, 14.4% above January 1999 and 3.1% above December 1999.

USDA AGRICULTURAL BASELINE PROJECTIONS (WAOB): Following some recovery during 2001/02 and 2002/03, farm-level milk prices are projected to rise slightly slower than prices generally from 2003/04 through the end of the baseline (2009). Although shifts in supply are not expected to be as strong as during the 1980's and early-1990's, they probably will tend to outpace increases in demand, underlying the moderate decline in real (inflation-adjusted) prices for milk. In addition, the price volatility that has characterized recent years may well continue, in part because of increasing concentration of buyers and sellers at all levels.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY MARCH 6	TUESDAY MARCH 7	WEDNESDAY MARCH 8	THURSDAY MARCH 9	FRIDAY MARCH 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1025 (N.C.)	\$1.1000 (-.0025)	\$1.0975 (-.0025)	\$1.0950 (-.0025)	\$1.0900 (-.0050)	-.0125	\$1.0970 (-.0050)
40# BLOCKS	\$1.1200 (N.C.)	\$1.1175 (-.0025)	\$1.1175 (N.C.)	\$1.1175 (N.C.)	\$1.1175 (N.C.)	-.0025	\$1.1180 (+.0020)
NONFAT DRY MILK EXTRA GRADE	\$1.0300 (N.C.)	\$1.0300 (N.C.)	\$1.0300 (N.C.)	\$1.0300 (N.C.)	\$1.0300 (N.C.)	N.C.	\$1.0300 (N.C.)
GRADE A	\$1.0300 (N.C.)	\$1.0300 (N.C.)	\$1.0300 (N.C.)	\$1.0300 (N.C.)	\$1.0300 (N.C.)	N.C.	\$1.0300 (N.C.)
BUTTER GRADE AA	\$.9800 (+.0100)	-----	\$.9825 (+.0025)	-----	\$.9825 (N.C.)	+.0125	\$.9817 (+.0084)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, MARCH 6, 2000

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.1150, 1 @ \$1.1200; BIDS UNFILLED: 1 CAR BARRELS @ \$1.0900; OFFERS UNCOVERED: 3 CARS BARRELS @ \$1.1025; 1 CAR 40# BLOCKS @ \$1.1200

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: 6 CARS GRADE AA: 2 @ \$0.9800, 1 @ \$0.9700, 1 @ \$0.9800, 1 @ \$0.9775, 1 @ \$0.9800; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$0.9700, 2 @ \$0.9600, 1 @ \$0.9400; OFFERS UNCOVERED: 5 CARS GRADE AA: 1 @ \$0.9800, 1 @ \$0.9825, 1 @ \$0.9900, 1 @ \$1.0000, 1 @ \$1.0200

TUESDAY, MARCH 7, 2000

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.1000, 1 @ \$1.1025; 2 CARS 40# BLOCKS: 1 @ \$1.1175, 1 @ \$1.1200

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 8, 2000

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.0975, 1 @ \$1.1000; 2 CARS 40# BLOCKS: 1 @ \$1.1175, 1 @ \$1.1200

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: NONE; BIDS UNFILLED: 13 CARS GRADE AA: 1 @ \$0.9825, 5 @ \$0.9800, 4 @ \$0.9600, 2 @ \$0.9500, 1 @ \$0.9400; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 9, 2000

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0950; 3 CARS 40# BLOCKS: 2 @ \$1.1175, 1 @ \$1.1200

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 10, 2000

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.1025, 1 @ \$1.1175; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0900; 1 CAR 40# BLOCKS @ \$1.1175

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: 25 CARS GRADE AA: 2 @ \$0.9825, 7 @ \$0.9800, 1 @ \$0.9775, 1 @ \$0.9750, 1 @ \$0.9700, 1 @ \$0.9675, 1 @ \$0.9625, 1 @ \$0.9550, 1 @ \$0.9525, 1 @ \$0.9625, 2 @ \$0.9725, 1 @ \$0.9700, 1 @ \$0.9725, 1 @ \$0.9825, 1 @ \$0.9800, 1 @ \$0.9725, 1 @ \$0.9825; BIDS UNFILLED: 6 CARS GRADE AA: 2 @ \$0.9700, 2 @ \$0.9525, 1 @ \$0.9450, 1 @ \$0.9400; OFFERS UNCOVERED: 11 CARS GRADE AA: 2 @ \$0.9875, 1 @ \$0.9900, 1 @ \$1.0000, 2 @ \$1.0100, 3 @ \$1.0200, 2 @ \$1.0500

BUTTER MARKETS**JANUARY BUTTER PRODUCTION**

During January, butter production in the United States totaled 140.6 million pounds, 14.0% above January 1999 and 20.0% above December 1999. The following are percentage changes from January 1999 for various states: CA +27.1%, MN +0.5%, NY -12.8%, OR -5.5%, PA +86.5%, WA +33.1%, and WI +7.7%.

NORTHEAST

The market tone remains unsettled. Prices at the CME have been higher and lower in the past week. Contacts, looking at the "January Dairy Products" report, see that butter output was 14.0% heavier than a year earlier and 20.0% heavier than December 1999 and wonder why prices are increasing. Current output is lighter as more cream is starting to move into cream cheese, cottage cheese, and ice cream. Butter stocks are more than ample for the slow to fair demand. Stocks are building at more locations, but at a slower rate. Bulk movement, when it occurs, is slow and still in the range of 3-5 cents over the CME price/average. Retail and food service sales are fair.

CENTRAL

The butter market tone remains mixed. Many producers and handlers continue to question price firmness in light of increasing stocks. Churning schedules in the Midwest are seasonally active, although cream supplies have tightened, especially

cream offerings from outside sources. Very mild temperatures prevailed in most areas of the Midwest over the past week to 10 days. Due to record setting temperatures, ice cream sales and production have improved, absorbing cream supplies that previously were headed towards the churn. Cream volumes are also entering other Class II operations as production of cream based products improves. Butter demand is reported to be fairly good. Scattered retail feature activity is occurring or scheduled to occur during the Lenten season. Favorable weather conditions are also contributing to "away from home" eating patterns, thus food service orders are also stronger. Bulk butter continues to clear at steady levels with prices ranging from 1 1/2 to 4 cents per pound over various pricing bases.

WEST

Some types of seasonal cream demand are beginning to be a factor in the market, but offerings remain very heavy and much of it is ending up in the churns. January butter output in the Western region is 53.8 million pounds, up 32.8% from last year. Print orders are fair at steady levels. Bulk butter continues to move to other regions to satisfy demand there. Some contacts wonder how much additional butter is desired to move into warehouses at this time. Current prices for bulk butter range from 5 cents under to flat market based on the CME with various time frames and averages involved.

NASS DAIRY PRODUCT PRICES
U.S. AVERAGE AND TOTAL POUNDS

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 39% MOISTURE			
MARCH 4	1.0945 5,400,606	1.0837 10,724,527	1.0091 17,055,803	0.9264 5,999,261	0.1789 7,507,266

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are unchanged to higher and the market tone is a little more settled. Contacts feel that prices at the CME may settle at near support levels. Cheese production in the East remains moderate to heavy. Surplus milk supplies are moderate to heavy and starting to increase. Milk volumes, if history is any indicator, should continue to build through May and June. Cheese stocks are more than ample for the slow to fair demand. More cheddar is being put into aging programs. Distributors are buying replacement volumes and see no reason to purchase too far ahead. Retail sales are slow to fair and food service orders are mostly steady.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.1300-1.6200
Cheddar Single Daisies	:	1.1100-1.5700
Cheddar 40# Block	:	1.2550-1.4325
Process 5# Loaf	:	1.3125-1.4750
Process 5# Sliced	:	1.3325-1.5800
Muenster	:	1.3125-1.6150
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is unsettled to weak. Some process cheese continues to clear to CCC under the support program from the Midwest. Promotional activity by a few retail accounts is providing a slight improvement in orders for Lenten and/or cookout use. Some processors have ample stocks of processing solids for at least the short term. A couple processors are seeing a slight pickup in orders for the spring/summer cookout season and food service promotions. With the large volumes of product available, buyers are very picky on quality. Mozzarella sales are mixed, good for some producers and lackluster for others. Cheese production remains seasonally heavy. Cheese makers are adapting make procedures seasonally for declining fat and protein tests and trying to slow some starters. Estimated January production of total cheese in selected Midwestern states compared to January 1999 is: Wisconsin 181.1 million pounds, up 5.2 million pounds (3.0%); Minnesota 59.5 million pounds, up 3.1 million pounds (5.6%), Iowa 20.9 million pounds, up 86,000 pounds (0.4%), South Dakota 13.3 million pounds, up 2.5 million pounds (22.9%), and Missouri 9.5 million pounds, up 1.0 million pounds (12.3%).

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.2625-1.4700
Brick And/Or Muenster 5#	:	1.4300-1.6750
Cheddar 40# Block	:	1.4100-2.1150
Monterey Jack 10#	:	1.5900-2.1150
Blue 5#	:	1.8100-2.0100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4800-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.1000-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	MARCH 6 - 10, 2000
BARRELS*	:	\$1.0975 - 1.1175 (NOMINAL)
	:	(\$.0075) (.0050)
40# BLOCKS	:	\$1.1100 - 1.1450 (NOMINAL)
	:	(\$.0150) (.0175)

() Change from previous week. * If steel, barrel returned.

Based on the historical relationship of the preliminary U.S. Cold Storage report of January 31 and the selected centers storage report, the expected U.S. holdings as of March 1, 2000 are:

Butter	113 million pounds plus or minus 3.24 percent
Cheese	508 million pounds plus or minus 4.98 percent

WEST

Natural items moved back up in price this week based on slight strength at the CME last week. Process and Swiss prices held steady. Some manufacturers report less aggressiveness from buyers for barrels and blocks as spring approaches. Production is heavy enough that buyers don't see much incentive to make additional purchases at this time. Buyers generally report that their inventories are approaching desired working levels. A number of commercial warehouses report being about full and that they will only accept additional cheese if some other cheese is removed. U.S. Swiss cheese production in January was 15.9 million pounds, down 14.5% from last year. American cheese production in January totaled 312.7 million pounds, up 7.9% from a year earlier. American cheese output for selected Western states compared to last year is as follows: California +3.3%, Idaho +3.0%, Oregon +13.2%, Utah +21.2%, and Washington +52.8%.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2550-1.5150
Cheddar 40# Block	:	1.2375-1.3775
Cheddar 10# Cuts	:	1.4175-1.6375
Monterey Jack 10#	:	1.4275-1.5875
Grade A Swiss Cuts 6 - 9#	:	2.1500-2.4000

FOREIGN

Prices for domestic styles are higher with imported types reported as unchanged. The market tone is unchanged. Some improved demand is being noted as Lent begins this week and some traditional table cheeses clear a little better. The stronger Dollar, compared to the Euro, has had and is having an impact on importers' purchases in Europe.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.4600-2.9550*
Gorgonzola	: 3.2400-5.9400	: 2.0150-2.4900*
Parmesan (Italy)	: TFEWR	: 2.8750-3.3800*
Romano (Italy)	: 2.1000-2.5400	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4750-1.7550*
Romano (Cows Milk)	: -0-	: 2.6375-4.8250*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.3100	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
03/06/00	21,092	: 121,514
03/01/00	20,773	: 122,884
CHANGE	319	: -1,370
% CHANGE	2	: -1

FLUID MILK AND CREAM

E A S T

The following are the February Class and component prices under the Federal Order Reform: Class II \$11.51 (up \$.08 from January), Class III \$9.54 (down \$.51), and Class IV \$10.80 (up \$.07). These prices are the same for all orders. Product price averages used in computing Class prices are: butter \$0.9002, nonfat dry milk \$1.0106, cheese \$1.1067, and dry whey \$0.1788. The Class II butterfat price is \$0.9658 and the Class III/IV butterfat price is \$0.9588. For informational purposes February 1999 BFP (Class III) was \$10.27. Milk production is fairly steady in the Northeast while still increasing toward the peak in the Deep South. This week's summer-like weather is having an positive effect on pasture growth and milk output, particularly in the Southeast. Fluid milk supplies are more than ample for the decent Class I demand. Some schools are, or have been, on vacation and others will be off in coming weeks. Surplus milk supplies are growing and most Southern manufacturing plants are operating. Florida handlers have too much milk and expect to ship 80 loads of milk out of state this week. This compares to about 54 last week and 100-110 loads during the same week last year. Some milk is being cleared to other Northeastern plants for processing, but as plant renovations are completed, these volumes may decrease significantly. There is plenty of plant capacity in the East, but it is expected to be tested during the upcoming flush. The condensed skim market is little changed, but lower Class III prices have been reported. Demand is steady to improved particularly for Class III as prices, per pound solids, are often lower than NDM. The fluid cream market is still quite firm. Less excess is clearing to butter makers. More contacts report clearing all their supply with buyers calling looking for more. Cream cheese production has increased noticeably in the past two weeks. Ice cream production is moderate, but starting to pick up along seasonal patterns. Spot prices are up as CME butter prices have increased during the past couple weeks and the multiples used to determine prices are about steady. Churning activity is lighter in the East as excess cream volumes decline.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.1680-1.3140
DELIVERED EQUIVALENT ATLANTA	-	1.1680-1.3042 M 1.2166-1.2458
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2610-1.2945

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9900-1.1200
NORTHEAST- CLASS III - SPOT PRICES	- .8800-1.0000

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
MARCH 3 - 9, 2000	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1999	0

Class I demand is irregular, ranging from about steady to occasionally slower. Retail promotions, including some on chocolate milk, are stimulating sales for a few bottlers. At least one bottler is trying to persuade retailers to pass on more of the lower milk prices to consumers. A total of 7 loads of Wisconsin milk was shipped to Missouri and are not being counted in the total. Spot manufacturing milk interest is spotty though some handlers/sellers are receiving some interest, even for deals going out a few weeks. Spot surplus milk prices are steady to occasionally higher. Spot prices reported were from \$.15 over class, up to \$1.00 over, mostly around the \$.50 over area. Some proprietary plants are reacting to the recent proposed rules to allow forward contracting of milk for use in non-Class I products. Cream prices are higher, reflecting higher cash butter prices at the Chicago Mercantile Exchange. Local plant milk intakes are little changed from recent weeks, ranging from steady to just slightly

higher. Many operations report intakes are still above year ago levels. Some loads of fluid continue to flow northward from Southern producers for processing. Unseasonably warm temperatures have caused some limited greening up of lawns, hayfields, and pastures. Some fieldwork was taking place but widespread activity was not occurring due to soft fields and the expectations of additional snow and/or more seasonal weather.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MARCH 2 - 8	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 41.50	\$ 33.50- 38.00
REPLACEMENT HEIFER CALVES	\$270.00-315.00	\$140.00-220.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MARCH 2 - 8	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 44.50	\$ 30.00- 43.25

W E S T

Milk production levels in California are reported to be generally one to two percent lower than in recent weeks. The reduction is generally being characterized as a welcome reprieve by some stressed processors. Milk was being moved into the state for processing to help balance regional supplies. There are reports of processors' adjusted monthly milk intakes being higher for January and/or February than during the highest intake month in 1999. So the main concern is not the current effect of the wet weather, but the issues of handling milk at the peak flush level this year. Production levels remain strong in New Mexico. The impact of a weather system producing high winds early in the week was being assessed. Some structural damage was reported on dairies, but reports are that milking schedules were not impacted. Milk is being moved out of state to find processing capacity. Rain fell over parts of the milk producing regions of Arizona, but did not significantly affect the milk flow. Cow lots were muddied, but moderate temperatures remained. Cream prices are mostly steady with butter prices and multiples not moving much. The volume of surplus cream was down with lower milk output in California. Added demand is developing from cream cheese producers preparing for upcoming holiday needs. Demand from ice cream producers is showing slight increases. Milk production continues to be very heavy seasonally in the Pacific Northwest. Some plants are scrambling to handle additional milk supplies in the short run because of a breakdown at a plant in the region. Current weather patterns are having no real impact on the milk flow at this time. Feed and hay are readily available and these factors are allowing milk production to remain strong. Hay stocks are generally on the light side, but the very moderate weather conditions mean that consumption is less than anticipated. New crop alfalfa is ahead of schedule in breaking dormancy. Fertilizer and herbicide applications are taking place in parts of the region. Prices for heifers sold at auction continue to soften slightly, but they remain high from a historical perspective. Sale prices reported at a monthly sale indicate that the majority moved at \$1350-1450. Culling rates remain on the light end of normal. Cumulative culling for the U.S. for the first six weeks of the new year trail 1999 by 0.6%. This fact is surprising some market analysts because of the 20 year low milk prices. Milk supplies are being reported to range from flat to up slightly from recent weeks in the Mountain States region. Continued muddy conditions are causing some herd health and SCC problems. Concerns about summer water conditions are quickly disappearing as the snow pack continues to accumulate. Heifer prices for replacement needs at a recently held auction in the region ranged from \$1200-1300 on average for most of the animals.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 03/09/00 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are unchanged on a weak market. Movement is best into regular commitments and government programs. Milk volumes and intakes are increasing seasonally throughout the region. Most plants are operating at capacity. By negotiating volumes between plants, operators are able to adequately deal with excess supplies. Offers are heavy as inventories continue to build. Buyers are bidding prices lower. Producers are resisting any discounting and opting to ship to the government instead. Spot demand is light with most product clearing through brokers. High heat production is steady for the moderate demand. Production of human food, nonfat dry milk during January 2000 totaled 131.1 million pounds, up 9.2% from January 1999 and 1.4% above December 1999. Month ending stocks, at 147.0 million pounds, are 78.4% above a year ago and 5.4% higher than December 1999.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9900 - 1.0150 **MOSTLY:** 1.0000 - 1.0100

DRY BUTTERMILK - CENTRAL

Prices are unchanged on a steady to weak market. Trading is light with most prices reported at 63-65 cents FOB. Brand specific product tends to trade at a premium. Some producers are reporting an increased interest on behalf of seasoning and ice cream plants as the market appears to be stabilizing. However, some buyers report that they are purchasing only on an as need basis as product appears to be readily available. Production is steady and inventories are in balance to long at some locations. Condensed movement is unchanged and clearing well into ice cream facilities. Aged product from spring of 1999 is reportedly available at the lower end of the range. Dry buttermilk production during January 2000 totaled 5.8 million pounds, down 7.5% from January 1999 but 23.5% higher than December 1999. Month ending stocks, at 7.0 million pounds, are 35.3% above last year and 7.0% higher than last month.

BUTTERMILK: .6300 - .7200

DRY WHEY - CENTRAL

Prices are unchanged to lower on a mostly steady market. Production is steady to higher. Inventories are in balance to instances long. Some traders are speculating as to whether the market will improve with trends in the WPC market. Demand is fair and best into contracted commitments, blends, feeds and some international markets. Extra wet solids remain difficult to find at some locations. Off grade product is readily available for the light to fair demand. Production of human food, dry whey during January 2000 totaled 102.2 million pounds, 14.4% more than January 1999 and 3.1% above December 1999. Month ending stocks, at 46.4 million pounds, are 9.8% above a year ago but 2.3% lower than December 1999.

NONHYGROSCOPIC: .1675 - .1850 **MOSTLY:** .1700 - .1800

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged on a generally steady market. Milk replacer supplies are readily available with brand specific product trading at the higher end of the range. The undertone on delactose is mixed. Some producers see the market increasing along with changes in WPC. Buyers that previously diverted away from delactose to WPC report that a larger price spread is required before a new interest in delactose would develop. Supplies of delactose are in balance to tight. Roller ground movement is unchanged on steady production schedules. Production of animal feed dry whey during January 2000 totaled 6.7 million pounds, 13.1% lower than a year ago but 5.9% more than December 1999. Month ending stocks, at 6.4 million pounds, are 23.6% lower than January 1999 and 26.8% lower than last month. Notice: Beginning the week of Report 14, the Standard Grade market will no longer be reported due to a lack of participation.

MILK REPLACER: .1300 - .1675

STANDARD: TFEWR

ROLLER GROUND: .1600 - .1825

DELACTOSE (Min. 20% protein): .2600 - .3150

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady to firm market. Some producers are beginning second quarter negotiations and offering out at higher prices. Inquiries from Asia and Europe continue to be reported on 80-100 mesh and 200 mesh for soup mixes, infant formulas and confectionary items. Most suppliers are finding it difficult to meet excess demands and are selective on accounts maintained. Inventories are mixed with some plants sold out and others running a little long. Interest on feed grade product is strong from domestic buyers and importers. Some domestic buyers are bidding feed grade lactose lower and trading at 16-18 cents FOB. Lactose production during January 1999 totaled 40.6 million pounds, up 5.9% from January 1999 but 4.9% below December 1999. Month ending stocks, at 21.8 million pounds, are 14.8% lower than a year ago but 4.0% more than last month. Production totals for selected regions with changes from 1999 include: East North Central, 9.1 million pounds, +5.8%; West North Central, 15.9 million pounds, +18.4%; and West, 14.8 million pounds, +3.3%.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1800 - .2500 **MOSTLY:** .1950 - .2050

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Strong interest from Mexico, China, Japan and Canada is encouraging higher prices. Lack of supplies on the West Coast is causing some importers to search for alternative sources in the Midwest. Spot feed interest is generally good due to a lack of contractual commitments and a decrease in high protein imports. Resellers are offering product with as much as 8 months age and receiving a premium on the price. Inquiries from ice cream plants are being reported. Condensed product is tight and difficult to find. Off grade supplies are plentiful at prices that vary with the quality of the product. Production of human food WPC during January 2000 totaled 28.2 million pounds, up 6.1% from January 1999 but 1.2% lower than last month. Manufacturers' end-of-month stocks totaled 19.1 million pounds, 9.9% lower than a year ago but 3.4% above December 1999. Production totals for selected states with changes from 1999 include: California, 7.5 million pounds, +2.1%; Minnesota, 5.0 million pounds, +5.1%; and Wisconsin, 4.2 million pounds, +36.1%.

EXTRA GRADE 34% PROTEIN: .4750 - .5225 **MOSTLY:** .4925 - .5075

NONFAT DRY MILK - WEST

Nonfat dry milk prices are unchanged for both heat treatments. The market undertone remains weak as high production and heavy offerings to the CCC characterize the market. Domestic buying interest is at best light as buyers see little life in either range. Stocks remain heavy. During the week of February 28 - March 3, CCC net purchases totaled 15.0 million pounds of nonfortified and fortified NDM from Western and Midwestern sources. U.S. NDM production in January totaled 131.1 million pounds, up 9.2% from last year and 1.4% more than last month. Stocks at the end of January were reported at 147.0 million pounds, up 78.4% from last year and 5.4% higher than last month. January production in California totaled 64.7 million pounds, up 26.8% from last year, and Washington output totaled 15.1 million pounds, down 2.8% from a year ago.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .9800 - 1.0200 **MOSTLY:** 1.0000 - 1.0100

HIGH HEAT: 1.0100 - 1.0400

DRY BUTTERMILK - WEST

Western buttermilk prices are higher on the bottom end of the range as sellers stopped offering at deep discounts and increased prices. Demand remains light and not all offerings are clearing the market. Buyers remain skeptical about any firmness suggested, but are watching closely not to be shut out should the market move higher. U.S. buttermilk powder production in January totaled 5.8 million pounds, down 7.5% from last year but 23.5% higher than December. Stocks at the end of the month were reported at 7.0 million pounds, up 35.3% from a year earlier and 7.0% above December.

BUTTERMILK: .5700 - .6400 **MOSTLY:** .6000 - .6100

DRY WHEY - WEST

Western dry whey prices held steady again this week. The market tone could be categorized as ranging from steady to weak. Stock levels at some plants continue to be a problem. Early indications are inconclusive as to where the source might be for the current whey tender from the Far East. January U.S. whey production totals 102.2 million pounds, up 14.4% from last year. Output in the Western region for January totals 40.2 million pounds, 40.9% higher than January 1999. Whey stocks at the end of January total 46.4 million pounds, up 9.8% from the same period last year.

NONHYGROSCOPIC: .1650 - .1900 **MOSTLY:** .1700 - .1775

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
March 3	\$1.0065	13,359,585
February 25	\$1.0083	10,622,473

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged to fractionally lower on high heat. The market tone is steady. Production levels are heavy and most plants are operating at near capacity levels. This week, Eastern NDM was offered to CCC. This is the first significant offering since 1991. Commercial demand is slow to fair and buyers are, for the most part, buying only as needed. Shipments to exporters are keeping some producers in balance. Others, however, are building inventories for anticipated, summer needs. Production of human food, nonfat dry milk during January 2000 totaled 131.1 million pounds, up 9.2% from January 1999 and 1.4% above December 1999. Month ending stocks, at 147.0 million pounds, are 78.4% above a year ago and 5.4% more than a month ago.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0000 - 1.0300 MOSTLY: 1.0000 - 1.0100
HIGH HEAT: 1.0350 - 1.0900 MOSTLY: 1.0400 - 1.0600

DELVD SOUTHEAST:

ALL HEATS: 1.0300 - 1.1150

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Production levels are moderate, but lighter than past weeks. Plant stocks are balanced to fully adequate. Demand is improved. It was reported that some animal feed makers are switching back to dry buttermilk. The reasons for this shift are availability of other products and price. Spot demand is fair to good. Dry buttermilk production during January 2000 totaled 5.8 million pounds, down 7.5% from January 1999 but 23.5% more than December 1999. Month ending stocks, at 7.0 million pounds, are 35.3% more than a year ago and 7.0% above last month.

F.O.B. NORTHEAST: .6800 - .7400

DELVD SOUTHEAST: .6700 - .7625

DRY WHOLE MILK - NATIONAL

Prices and the market tone are steady. Production levels are lighter at some plants that have skim to dry. Other operations with DEIP contracts to fill are stepping up output to meet shipping dates. Domestic demand is slow to fair. Dry whole milk production during January 2000 totaled 8.8 million pounds, down 20.1% from January 1999 and 11.6% below December 1999. Month ending stocks, at 5.6 million pounds, are 2.7% below a year ago and 12.5% less than last month.

F.O.B. PRODUCING PLANT: 1.0700 - 1.2500

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1999 THROUGH MARCH 3, 2000

WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 86,032 MT (189,666,147 LBS)
CHANGE -- 399 MT (879,635 LBS)

WHOLE MILK POWDER -- 9,677 MT (21,333,914 LBS)
PROGRAM ALLOCATION FILLED

CHEESE -- 1,623 MT (3,578,066 LBS)
CHANGE -- 133 MT (293,212 LBS)

BUTTERFAT -- 5,263 MT (11,602,809 LBS)
CHANGE -- 251 MT (553,355 LBS)

Allocations for the DEIP year beginning July 1, 1999, are: Nonfat dry milk - 76,207 MT; Whole Milk Powder - 2,518 MT; Cheese - 3,190 MT; Butterfat - 25,475 MT. These DEIP allocations are in addition to balances still available from quantities announced on May 13, 1999; 25,177 MT of Nonfat Dry Milk (to be filled in roughly equal quarterly amounts during the GATT-year beginning July 1, 1999), 7,500 MT of dry whole milk, and 1,270 MT of cheese.

DRY WHEY - NORTHEAST AND SOUTHEAST

The dry whey market is showing more signs of firmness. Prices range from generally steady to higher within the range. Production is heavy. This is good because more producers are oversold and the increased output is helping them stay current with shipping schedules. Most Eastern producers are taking orders for delivery in April. Few have powder for immediate shipment. Domestic demand is slow to fair with export interest still pretty good. Production of human food, dry whey during January 2000 totaled 102.2 million pounds, 14.4% more than January 1999 and 3.1% above December 1999. Month ending stocks, at 46.4 million pounds, are 9.8% above last year but 2.3% less than a month ago.

F.O.B. NORTHEAST: EXTRA GRADE .1750 - .1850

USPH GRADE A .1850 - .1950

DELVD SOUTHEAST: .1950 - .2200

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report and the market tone is unchanged. Offerings of animal feed dry whey, although tighter than past months, are fully adequate to meet the slow to fair spot demand. Production of animal feed, dry whey during January 2000 totaled 6.7 million pounds, 13.1% less than a year ago but 5.9% more than December 1999.

NOTICE: Because animal feed, dry whey prices have been TFEWR for more than a year, we are discontinuing this price series and animal feed comments will be incorporated into the Eastern whey report. This change will go into effect the week of April 3-7, Report Number 14.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices are unchanged. Production levels are moderate, but the low Class III milk prices are making it more attractive to make and store canned evaporated. Demand is seasonally slow to fair. Canned evaporated milk production during January 2000 totaled 33.9 million pounds, 16.4% more than January 1999 but 14.8% less than December 1999. Month ending stocks, at 38.3 million pounds, are 8.1% less than a year ago but 1.9% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.00 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets remain firm. Domestic buyers continue to report tight casein supplies. For most, they are working with declining existing stocks. In many instances, deliveries of new shipments are being delayed and often short of expected volumes. Suppliers are trying to make the best of a poor situation. The limited supply situation is causing some domestic buyers to contract beyond next quarter needs and reaching out as far as six months.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.9000 - 2.1000

ACID: 1.9000 - 2.1500

JANUARY 2000 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 140.6 million pounds in January, 14.0 percent above January 1999 and 20.0 percent above December 1999. **AMERICAN TYPE CHEESE** production totaled 312.7 million pounds, 7.9 percent above January 1999 and 1.7 percent above December 1999. **TOTAL CHEESE** output (excluding cottage cheese) was 680.3 million pounds, 6.5 percent above January 1999 but 1.8 percent below December 1999. **NONFAT DRY MILK** production, for human food, totaled 131.1 million pounds, 9.2 percent above January 1999 and 1.4 percent above December 1999. **DRY WHEY** production, for human food, was 102.2 million pounds, 14.4 percent above January 1999 and 3.1 percent above December 1999. **ICE CREAM** (hard) production totaled 61.7 million gallons, 7.5 percent above January 1999 and 10.6 percent above December 1999.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JAN 2000	PERCENT CHANGE FROM:			PRODUCT	JAN 2000	PERCENT CHANGE FROM:		
	1,000 LBS.	JAN 1999	DEC 1999	YEAR TO DATE 1/		1,000 LBS.	JAN 1999	DEC 1999	YEAR TO DATE 1/
BUTTER	140,566	14.0	20.0	14.0	DRY BUTTERMILK	5,806	-7.5	23.5	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	136,328	7.8	-4.0	---
AMERICAN TYPES 2/	* 312,672	7.9	1.7	7.9	CONDENSED WHEY, SOLIDS CONTENT 7/				
CHEDDAR	246,642	5.5	2.2	5.5	SWEET-TYPE, HUMAN FOOD	8,594	38.5	-2.3	---
SWISS	15,946	-14.5	-1.9	---	SWEET-TYPE, ANIMAL FEED	1,068	-11.3	-3.3	---
BRICK & MUENSTER	7,490	2.6	-1.4	---	DRY WHEY PRODUCTS				
CREAM & NEUFCHATEL	44,689	0.6	-27.4	---	DRY WHEY, HUMAN FOOD	102,240	14.4	3.1	---
BLUE	6,964	58.8	63.1	---	DRY WHEY, ANIMAL FEED	6,681	-13.1	5.9	---
HISPANIC	6,489	5.3	-6.5	---	REDUCED LACTOSE AND MINERALS				
MOZZARELLA	214,539	5.3	-2.1	5.3	HUMAN FOOD	6,203	-9.8	-16.0	---
OTHER ITALIAN TYPES	62,508	13.2	6.1	13.2	ANIMAL FEED	3,301	26.2	4.9	---
TOTAL ITALIAN TYPES	277,047	7.0	-0.3	7.0	LACTOSE, HUMAN FOOD & ANIMAL FEED	40,551	5.9	-4.9	---
ALL OTHER TYPES	8,956	-2.4	-15.4	---	WHEY PROTEIN CONCENTRATE				
TOTAL	680,253	6.5	-1.8	6.5	HUMAN FOOD	28,205	6.1	-1.2	---
COTTAGE CHEESE, CURD 3/	34,985	0.6	0.8	---	ANIMAL FEED	3,536	2.8	-24.2	---
COTTAGE CHEESE, CREAM 4/	26,699	2.6	0.1	2.6					
COTTAGE CHEESE, LOWFAT 5/	27,213	2.4	5.1	2.4	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAPORATED & CONDENSED					ICE CREAM (HARD)	61,696	7.5	10.6	7.5
WHOLE MILK	33,910	16.4	-14.8	---	ICE CREAM, LOWFAT (HARD)	6,154	-9.2	-1.5	---
DRY WHOLE MILK	8,755	-20.1	-11.6	---	ICE CREAM, LOWFAT (SOFT)	14,261	5.2	-6.2	---
NONFAT DRY MILK, HUMAN FOOD	6/ 131,086	9.2	1.4	9.2	ICE CREAM, LOWFAT (TOTAL)	20,415	0.4	-4.8	0.4
DRY SKIM MILK, ANIMAL FEED	439	9.8	-8.5	---	SHERBET (HARD)	3,217	1.5	1.2	1.5
					YOGURT, TOTAL	5,448	-8.4	14.2	-8.4

MANUFACTURERS' STOCKS, END OF MONTH 8/							
PRODUCT	JAN 2000	PERCENT OF:		PRODUCT	JAN 2000	PERCENT OF:	
	1,000 LBS.	JAN 1999	DEC 1999		1,000 LBS.	JAN 1999	DEC 1999
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	46,444	9.8	-2.3	HUMAN FOOD	19,100	-9.9	3.4
DRY WHEY, ANIMAL FEED	6,426	-23.6	-26.8	ANIMAL FEED	1,435	-36.6	87.6
REDUCED LACTOSE & MINERALS--HUMAN & ANIMAL 9/	9,837	-5.8	-4.2	CANNED EVAPORATED & CONDENSED WHOLE MILK	38,311	-8.1	1.9
LACTOSE, HUMAN FOOD & ANIMAL FEED	21,750	-14.8	4.0	DRY WHOLE MILK	5,557	-2.7	-12.5
DRY BUTTERMILK, TOTAL	6,967	35.3	7.0	NONFAT DRY MILK FOR HUMAN FOOD	146,964	78.4	5.4
				DRY SKIM MILK FOR ANIMAL FEED	1,104	-14.5	-1.8

1/ 2000 cumulative as percent change of 1999 cumulative. 2/ Whole milk cheese, including Cheddar, colby, washed curd, stirred curd, monterey and jack. 3/ Mostly used for processing into creamed or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Includes combined Minnesota and Wisconsin production of 2,154,000 lbs. 7/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. *Includes combined Minnesota and Wisconsin production of 137,073,000 lbs.

SOURCE: "Dairy Products," Da 2-6 (3-00), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CLASS AND COMPONENT PRICES HIGHLIGHTS

Component Price Information: Under the new Federal milk order pricing system, the butterfat price for February 2000 is \$0.9588 per pound. Thus, the Class II butterfat price is \$0.9658. The protein and other solids prices for February are \$1.9849 and \$0.0432 per pound, respectively. These component prices set the Class III skim milk price at \$6.41 per cwt. The February Class IV skim milk price is \$7.71 which is derived from the nonfat solids price of \$0.8565 per pound. **Product Price Averages:** The product price averages for February are; butter \$0.9002, nonfat dry milk \$1.0106, cheese \$1.1067, and dry whey \$0.1788.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/</u> <u>2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	FEBRUARY 2000				MARCH 2000
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	13.96	11.51	9.54	10.80	14.09
Appalachian (Charlotte) <u>5/</u>	005	13.81	11.51	9.54	10.80	13.94
Southeast (Atlanta) <u>6/</u>	007	13.81	11.51	9.54	10.80	13.94
Florida (Tampa) <u>7/</u>	006	14.71	11.51	9.54	10.80	14.84
Mideast (Cleveland) <u>8/</u>	033	12.71	11.51	9.54	10.80	12.84
Upper Midwest (Chicago) <u>9/</u>	030	12.51	11.51	9.54	10.80	12.64
Central (Kansas City) <u>10/</u>	032	12.71	11.51	9.54	10.80	12.84
Southwest (Dallas) <u>11/</u>	126	13.71	11.51	9.54	10.80	13.84
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	13.06	11.51	9.54	10.80	13.19
Western (Salt Lake City) <u>13/</u>	135	12.61	11.51	9.54	10.80	12.74
Pacific Northwest (Seattle) <u>14/</u>	124	12.61	11.51	9.54	10.80	12.74
All-Market Average	---	13.29	---	---	---	13.42

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are principal pricing points of markets.

4/ Class I prices at other points are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other points are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other points are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other points are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other points are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other points are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other points are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other points are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I price at Boise is minus \$0.30.

USDA AGRICULTURAL BASELINE PROJECTIONS TO 2009, DAIRY
(See Dairy Baseline table on page 10)

Relatively high milk prices and strong returns during most of the 1996-99 period unleashed a milk production expansion that is expected to depress milk prices during the current and next marketing years. Stronger producers have accelerated their individual expansion plans, while weaker farmers have been able to delay their exit from dairying. Although dairy demand is expected to remain strong, the gains in output are expected to result in substantial declines in milk prices in the near term.

Lower milk prices are expected to renew income pressures on weaker producers and to build momentum in commercial use of dairy products. Milk prices are projected to recover during 2001/02 and 2002/03 as these supply-demand corrections occur.

In the longer run, demand is expected to grow at about the same, or slightly faster, rate than population. Demand for cheese is projected to continue to rise more than population, as is use of milk solids in processed foods. On the other hand, per-person sales of fluid milk and many perishable manufactured products are expected to decline slowly.

Better management, greater genetic potential, and inexpensive concentrate feeds will result in continued strong growth in milk per cow. However, the trend may not quite match the rate that similar milk-feed price ratios would have generated in the past. Producers today do not have as much flexibility to boost milk per cow with heavier grain feeding because of past increases in the starch content of rations and changes in feeding practices. In addition, differences between the milk per cow levels of expanding and exiting producers may be narrower than in the past.

Milk cow numbers are projected to decline slowly, as traditional farms continue to be replaced with larger farms based on highly specialized labor. Growth in the West may be somewhat slower than in the past because of more limiting forage supplies, fewer new areas for dairy development, and environmental constraints. Even so, new western farms will be established and most existing operations will expand. The number of "new style" northern farms, similar in most ways to western farms, will increase substantially through both construction of totally new operations and dramatic expansion of existing farms. Some of this development will be in areas that have not had much local dairying in recent decades. Many existing northern farms probably will not generate enough family income to be viable and will exit dairying, resulting in land taken out of agriculture entirely in some marginal areas. Losses in milk cow numbers also may be substantial in the South, as productivity gains might be insufficient to meet the competition of milk shipped from the North.

International dairy markets are not expected to have major impacts on domestic markets under current WTO rules. International market prices are projected to rise slowly once the current demand weakness in some key economies begins to ease. However, domestic prices are expected to run between those needed to be a major exporter of most products and those that would allow large imports beyond the tariff-rate quotas. Subsidized exports will be held to small amounts. Although exports of whey products will grow and niche markets for cheese will continue to develop, commercial exports likely will be a minor component of demand for U.S. dairy products in most years.

Following some recovery during 2001/02 and 2002/03, farm-level milk prices are projected to rise slightly slower than prices generally from 2003/04 through the end of the baseline. Although shifts in supply are not expected to be as strong as during the 1980's and early-1990's, they probably will tend to outpace increases in demand, underlying the moderate decline in real (inflation-adjusted) prices for milk. In addition, the price volatility that has characterized recent years may well continue, in part because of increasing concentration of buyers and sellers at all levels.

Editor's Note: These baseline projections were prepared in October through December 1999. The projections are based on specific assumptions regarding macroeconomic conditions, policy, weather, and international developments. The projections reflect a composite of model results and judgmental analysis.

Source: "USDA Agricultural Baseline Projections to 2009," Staff Report WAOB-2000-1, Office of the Chief Economist, USDA.

USDA DAIRY BASELINE
(See text on page 9.)

ITEM	UNITS	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Production data:													
Milk production	Bil. lbs.	161.3	164.8	166.8	168.5	170.5	172.9	174.5	176.5	178.5	181.0	182.5	184.5
Numbers of cows	1,000	9,148	9,164	9,110	9,035	8,960	8,880	8,805	8,730	8,655	8,585	8,505	8,430
Milk per cow	Pounds	17,629	17,980	18,305	18,650	19,025	19,475	19,815	20,215	20,625	21,085	21,455	21,885
Commercial use:													
Milkfat basis	Bil. lbs.	162.9	167.5	169.2	170.0	171.8	174.5	176.0	178.2	180.1	182.8	184.2	186.4
Skim solids basis	Bil. lbs.	157.9	162.9	166.9	170.1	171.1	174.0	175.5	177.8	179.7	182.5	183.9	186.2
Net removals:													
Milkfat basis	Bil. lbs.	0.3	0.5	0.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Skim solids basis	Bil. lbs.	5.4	4.2	2.2	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Prices:													
Basic Formula Price/Class III	\$/cwt.	14.04	11.10	11.15	12.10	12.65	12.95	13.25	13.55	13.85	14.15	14.40	14.70
All milk	\$/cwt.	15.37	12.75	12.75	13.50	14.00	14.30	14.60	14.90	15.20	15.50	15.80	16.10
Retail, all dairy products	1982-84=100	157.7	157.0	154.0	157.5	161.5	165.0	168.0	171.5	175.0	178.5	182.0	185.5
Costs and returns:													
Ration value	\$/cwt.	7.15	7.00	6.95	7.25	7.40	7.75	7.90	8.15	8.35	8.55	8.80	8.80
Returns above concentrate costs	\$/cwt.	12.41	9.85	9.83	10.46	10.89	11.05	11.28	11.48	11.69	11.91	12.10	12.40
Milk-feed ratio	ratio	2.15	1.82	1.83	1.86	1.89	1.85	1.85	1.83	1.82	1.81	1.80	1.83

Editor's Note: These baseline projections were prepared in October through December 1999. The projections are based on specific assumptions regarding macroeconomic conditions, policy, and international developments. The projections reflect a composite of model results and judgmental analysis.

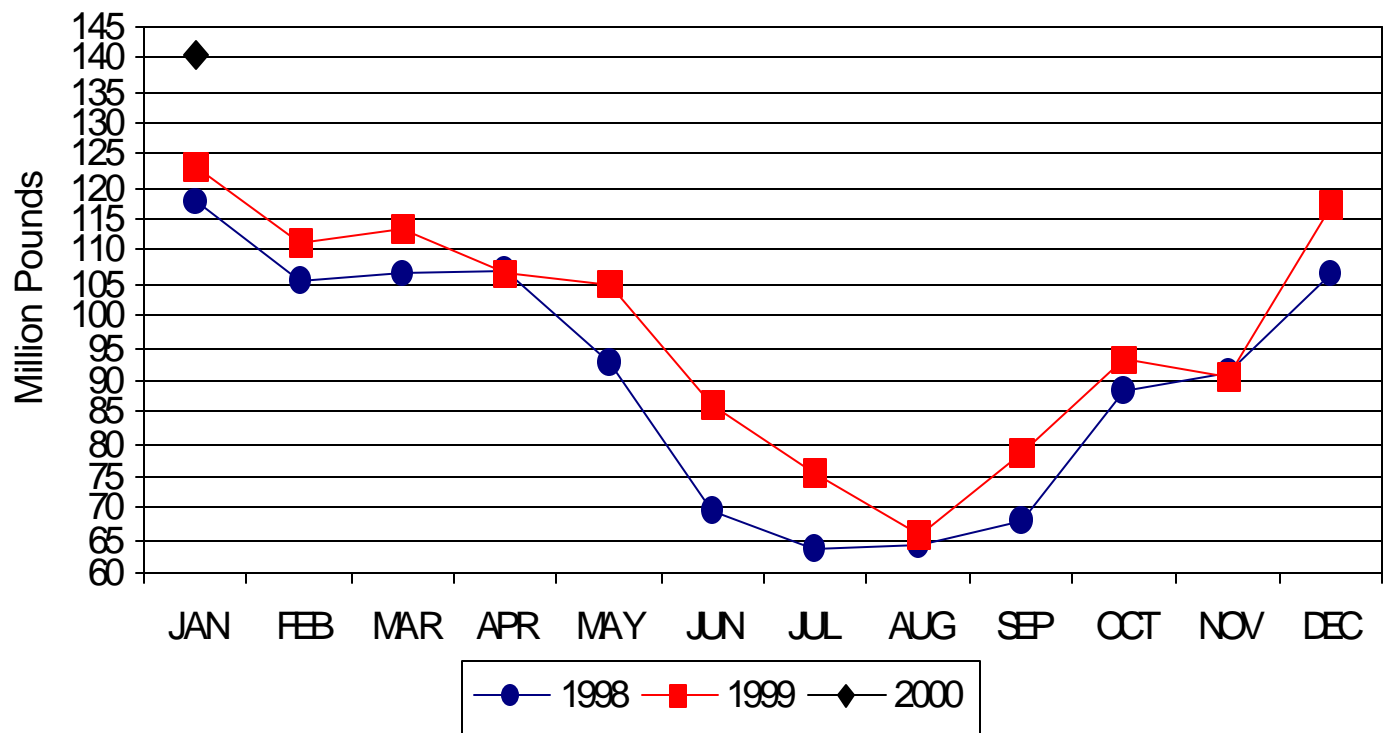
Source: "USDA Agricultural Baseline Projections to 2009," Staff Report WAOB-2000-1, Office of the Chief Economist, USDA.

ANNOUNCED COOPERATIVE AND MINIMUM FEDERAL ORDER CLASS I PRICES IN SELECTED CITIES <u>1/</u>												
CITY	MAR 1998			MAR 1999			FEB 2000			MAR 2000		
	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference
	Dollars Per Hundredweight											
Atlanta, GA	16.33	17.33	1.00	19.35	20.50	1.15	13.81	15.56	1.75	13.94	15.69	1.75
Baltimore, MD	16.28	17.73	1.45	19.30	20.05	0.75	13.71	15.16	1.45	13.84	15.29	1.45
Boston, MA **	16.49	17.12	0.63	19.51	19.99	0.48	13.96	14.44	0.48	14.09	14.57	0.48
Carbondale, IL	15.26	17.16	1.90	18.28	19.64	1.36	12.91	14.62	1.71	13.04	14.75	1.71
Charlotte, NC	16.33	17.33	1.00	19.35	20.50	1.15	13.81	15.56	1.75	13.94	15.69	1.75
Chicago, IL	14.65	16.68	2.03	17.67	19.60	1.93	12.51	14.24	1.73	12.64	14.52	1.88
Cincinnati, OH	15.36	17.11	1.75	18.38	20.13	1.75	12.91	14.56	1.65	13.04	14.89	1.85
Cleveland, OH	15.25	17.00	1.75	18.27	19.77	1.50	12.71	14.21	1.50	12.84	14.54	1.70
Dallas, TX	16.41	16.66	0.25	19.43	19.68	0.25	13.71	15.01	1.30	13.84	15.14	1.30
Denver, CO	15.98	16.13	0.15	19.00	19.25	0.25	13.26	13.81*	0.55*	13.39	15.13	1.74
Des Moines, IA	14.80	16.23	1.43	17.82	18.67	0.85	12.51	13.81	1.30	12.64	13.94	1.30
Detroit, MI	15.10	16.10	1.00	18.12	19.12	1.00	12.51	13.76	1.25	12.64	13.89	1.25
Hartford, CT **	16.39	17.02	0.63	19.41	19.89	0.48	13.86	14.34	0.48	13.99	14.47	0.48
Houston, TX	16.95	17.20	0.25	19.97	20.22	0.25	14.31	15.61	1.30	14.44	15.74	1.30
Indianapolis, IN	15.15	16.99	1.84	18.17	19.72	1.55	12.71	14.36	1.65	12.84	14.69	1.85
Kansas City, MO	15.17	16.55	1.38	18.19	18.94	0.75	12.71	14.36	1.65	12.84	14.49	1.65
Louisville, KY	16.02	17.02	1.00	18.38	19.48	1.10	12.91	14.31	1.40	13.04	14.44	1.40
Memphis, TN	15.36	16.26	0.90	19.04	19.84	0.80	13.51	15.01	1.50	13.64	15.14	1.50
Miami, FL	17.43	19.89	2.46	20.45	22.82	2.37	15.01	18.06	3.05	15.14	18.20	3.06
Milwaukee, WI	14.56	16.59	2.03	17.58	19.51	1.93	12.46	14.19	1.73	12.59	14.47	1.88
Minneapolis, MN	14.45	15.82	1.37	17.47	18.30	0.83	12.41	13.50	1.09	12.54	13.78	1.24
New Orleans, LA	16.90	17.25	0.35	19.92	20.37	0.45	14.31	15.71	1.40	14.44	15.84	1.40
Oklahoma City, OK	16.02	16.77	0.75	19.04	19.79	0.75	13.31	14.71	1.40	13.44	14.99	1.55
Omaha, NE	15.00	16.38	1.38	18.02	18.77	0.75	12.56	13.81	1.25	12.69	13.94	1.25
Philadelphia, PA	16.34	17.76	1.42	19.36	20.08	0.72	13.76	15.18	1.42	13.89	15.31	1.42
Phoenix, AZ	15.77	15.77	0.00	18.79	18.79	0.00	13.06	13.71	0.65	13.19	13.79	0.60
Pittsburgh, PA	15.25	16.45	1.20	18.27	18.77	0.50	12.81	14.01	1.20	12.94	14.34	1.40
St. Louis, MO	15.26	17.16	1.90	18.28	19.64	1.36	12.71	14.42	1.71	12.84	14.55	1.71
Salt Lake City, UT	15.15	15.30	0.15	18.17	18.42	0.25	12.61	12.86	0.25	12.74	12.99	0.25
Seattle, WA	15.15	15.58	0.43	18.17	18.55	0.38	12.61	14.74	2.13	12.74	14.87	2.13
Spokane, WA	15.15	15.58	0.43	18.17	18.55	0.38	12.61	14.74	2.13	12.74	14.87	2.13
Springfield, MO	15.44	16.44	1.00	18.46	19.21	0.75	12.91	14.46	1.55	13.04	14.59	1.55
Washington, DC	16.28	17.73	1.45	19.30	20.05	0.75	13.71	15.16	1.45	13.84	15.29	1.45
Simple Average	15.68	16.79	1.11	18.70	19.59	0.89	13.19	14.61*	1.42*	13.32	14.81	1.49

*Revised.

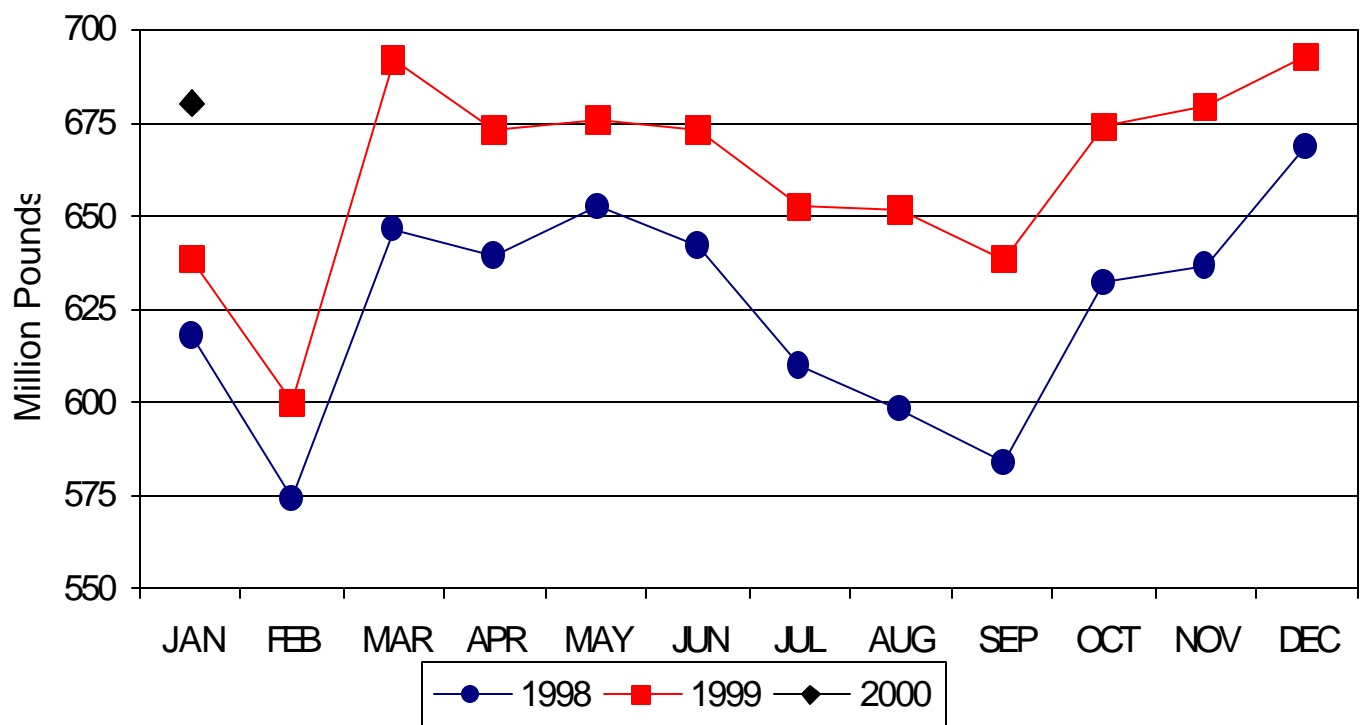
**NOTE: The Northeast Dairy Compact has established a Class I price level of \$16.94. The Compact obligation is \$16.94 less the Federal order Class I price shown for Boston. The effective Class I price level is the Federal order price at location plus the Compact obligation plus the figure shown under the column labeled "Difference". When the Federal order Class I price shown for Boston is

U.S. BUTTER PRODUCTION



03/02/2000- Graph USDA, DMN; Source USDA, NASS

U.S. TOTAL CHEESE PRODUCTION



CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF MARCH 6 - 10, 2000			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/99	LAST YEAR	03/03/00	LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	396,000	-0-	396,000	792,000	-0-	-0-	-0-
TOTAL	396,000	-0-	396,000	792,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	12,410,574	1,077,951	11,332,623	151,221,002	21,391,152	-0-	-0-
Fortified	-0-	-0-	-0-	5,313,347	-0-	-0-	-0-
TOTAL	12,410,574	1,077,951	11,332,623	156,534,349	21,391,152	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF MARCH 6 - 10, 2000 =	6.1	135.8	COMPARABLE WEEK IN 1999 =	1.1	56.8
CUMULATIVE SINCE OCTOBER 1, 1999 =	41.7	1,829.9	CUMULATIVE SAME PERIOD LAST YEAR =	4.7	249.0
CUMULATIVE JANUARY 1 - MARCH 10, 2000 =	30.5	1,236.8	COMPARABLE CALENDAR YEAR 1999 =	4.7	247.8

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MARCH 6 - 10, 2000 (POUNDS)

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	396,000	607,005	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	9,854,878	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	870,740	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/99 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT	
REGION	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99
MIDWEST	-0-	-0-	792,000	-0-	15,147,807	-0-	25.5	0.0
WEST	-0-	-0-	-0-	-0-	140,427,618	21,391,152	74.0	100.0
EAST	-0-	-0-	-0-	-0-	958,924	-0-	0.5	0.0
TOTAL	-0-	-0-	792,000	-0-	156,534,349	21,391,152	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 2000

MANUFACTURING MILK: Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

DOLLARS PER POUND

BUTTER: Bulk \$.6500; 1# Prints \$.6800

CHEESE: 40 & 60# Blocks \$1.1000; 500# Barrels \$1.0700; Process American 5# \$1.1525; Process American 2# \$1.1925

NONFAT DRY MILK: Nonfortified \$1.0100; Fortified \$1.0200; Instant \$1.1675

Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 02/19/00 & Comparable Week 1999 1/ 2/

U.S. TOTAL											% DAIRY OF ALL			
Regions*	1	2	3	4	5	6	7	8	9	10	WEEK : SINCE JAN 1	WEEK : SINCE JAN 1		
2000-Dairy cows HD (000)	0.3	1.1	6.6	5.3	19.4	2.5	1.1	0.8	11.3	3.2	51.5	420.3	49.6	49.4
1999-Dairy cows HD (000)	0.3	1.0	6.5	5.9	19.6	2.3	2.9	0.7	10.1	3.2	52.5	423.6	50.0	47.1
2000-All cows HD (000)	0.3	1.2	9.0	14.3	27.7	12.2	15.2	5.1	12.7	6.1	103.8	850.4		
1999-All cows HD (000)	0.3	1.0	8.7	15.0	27.4	14.0	16.3	4.3	11.0	7.0	105.1	899.5		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

FEDERAL MILK ORDER CLASS PRICES FOR 2000 (3.5% BF)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Class I 1/	10.90	10.71	10.84									
Class II	11.43	11.51										
Class III	10.05	9.54										
Class IV	10.73	10.80										

1/ Specific order differentials to be added to this base price are located at: www.ams.usda.gov/dairy/fmor_announce.htm

higher than the Compact Class I price, the Compact price is not effective.

1/ Class I prices announced for the beginning of the month by the major cooperative in each city market. These prices may not apply to all of the Class I sales in these city markets. Announced prices may not include handling or service charges applicable to milk from supply plants and competitive credits which may be allowed. These prices have not been verified as having been actually paid by handlers.

14/ Class I prices at other points is: Portland, same; and Spokane, same.